

Change of Face

Reform gets an authoritarian overlay

By Bertil Lintner in Bangkok

Laos takes a step backwards" screamed the headlines of Bangkok newspapers after the sixth congress of the Lao People's Revolutionary Party in late March. The shouting was spurred by the ouster from the party's politburo and central committee of Deputy Prime Minister Khamphoui Keoboulapha, architect of many of Laos's economic reforms and a favourite of Thai investors in the country. Khamphoui was also expected to lose his deputy premiership and his post as chief of the powerful and investment-friendly State Committee for Planning and Cooperation.

A sign that the party's old guard thought free-market reforms had gone too far, too fast? On the surface, the movements in the leadership could support that analysis. Khamtay Siphandone, the party chief and prime minister, was expected to replace the ageing Nouhak Phoumsavanh as state president during the

National Assembly meeting scheduled for late April or early May. Khamtay would then have to relinquish the premiership, which could go to either the No. 2 man in the politburo, former Gen. Saman Viyaket, or Lt.-Gen. Choummaly Sayasone, army chief and defence minister. Both men oppose rapid political and economic change.

But a closer look at the new leadership line-up reveals something more complex than just a coup by party conservatives. Indeed, the picture that emerges indicates that Laos's free-market reforms are here to stay. Khamphoui's ouster, for example, was less a blow against economic liberalization than a jab at his close ties with the Thais, who dominate foreign investment in Laos to such an extent that many hard-liners fear for their country's sovereignty (see story on next page).

At the end of July last year, Thai investors had put \$1.94 billion into Laos, or more than 43% of all approved foreign investment in the country. By comparison, South Korea, the second-largest Asian investor, had put in only \$394 million, while Taiwan's input was a relatively paltry \$64.7 million.

The composition of the LPRP's new nine-man politburo also confirms the increasingly important role of the armed forces in the top leadership. Of the nine, six are generals and one is a colonel; only two have no military background. Finally, the make-up of the new 49-member central committee shows the leadership is trying to address potential threats to national unity—a vital issue in a country where perhaps only 60% of the population is from the dominant lowland Lao group.

Since discarding Marxism in everything but name, the ruling elite in Vientiane had begun to promote its authoritarian brand of Lao nationalism as an alternative. But this had caused some unease among many non-lowland Lao communities. "The leadership has ad-

ressed that problem," says a Vientiane-based diplomat. Of the four new politburo members, three are from ethnic minorities: Osakanh Thammatheva is Khmer, Asang Laoly is Akha and Boungyang Vorachit comes from one of the southern Mon-Khmer groups.

Equally significant, most of the 15 new members of the central committee come from provinces other than Vientiane—and many of them represent ethnic minorities. Economic development in Laos has by and large been centred in the Vientiane area, resulting in huge income disparities between the capital and the country's many remote provinces. To counter the trend, says the diplomat, more investment is being promoted in remote provinces.

"Laos can't go back to the old socialist



Premier Khamtay Siphandone (right), meets Vietnamese party chief Do Muoi. Khamphoui Keoboulapha (inset) loses his politburo seat.



system. Economic development has gone too far for that. But the pace may slow down a bit, there will be more emphasis on central control and traditional values—and some leaders who

have stepped out of line will be warned," says the diplomat.

Meanwhile, it is an open question as to how long the "soft-liners" will remain out of power. Analysts point out that one of the new members of the politburo, Sisavath Keobounphan, was actually dropped at the last party congress in March 1991 for reasons similar to those behind Khamphoui's ouster. As Vientiane party secretary, Sisavath had welcomed Thai investment, but his name was linked with rumours of corruption. Now, after five years out in the cold, he is back at the top.

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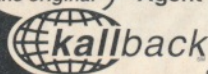
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DIPLOMACY

Natural Allies

Thailand's neighbours forge closer bonds

By Bertil Lintner in Bangkok

If China is Laos's most important foreign ally, Burma is coming up a close second. It might even move into first place, since the Laotians feel they can deal with the Burmese on a more equal basis than with big brother to the north. Now a third country looks ready to join the club: Cambodia.

But what do the three countries have in common? "In a regional context, they are all within a few years going to join the Association of Southeast Nations, and they quite naturally feel they must strengthen their positions vis-a-vis Thailand, the economically most powerful Asean member with which all three countries share common borders," says a Bangkok-based defence analyst.

Laos's efforts to establish closer ties with Burma became evident as early as in 1992, when Prime Minister Khamtay Siphandone became the first head of a foreign government to visit Rangoon since the military takeover there in 1988. In June 1994, Burma's military leader, Gen. Than Shwe, made Laos the first foreign country he visited after assuming power in 1992. "It's clear that the leaders here feel comfortable dealing with their Burmese counterparts. They admire strong, authoritarian rulers," says a Lao journalist.

Signals from Cambodia indicate that its leaders feel the same. "They probably regret that they ever held that United Nations-sponsored election in 1993," says the defence analyst in Bangkok. "Cambodia is moving away from democratic principles and towards the same ideal as in Laos and Burma: authoritarian nationalism."

All three countries also harbour a deep mistrust of Thailand's past and present intentions. When Thai Prime Minister Chatichai Choonhavan said in 1988 that the era of conflict in Southeast Asia was over and that he wanted to turn "battlefields into market places," he was abandoning a long-standing Thai policy of maintaining links with anti-government rebels in Burma, Laos and

Cambodia. But strong suspicions that the Thais have not completely severed their ties to the rebel groups linger on in all three countries.

Burma has accused Thailand of aiding the secessionist Karen rebels, while Phnom Penh suspects elements in the Thai military of having commercial links with the Khmer Rouge. Vientiane, meanwhile, has repeatedly appealed to Bangkok not to allow ethnic Hmong resistance fighters to conduct raids into Laos from bases in Thailand.

As for battlefields becoming marketplaces, early-bird Thai investors in Burma and Cambodia have in the past few years been overtaken by Singaporean and Malaysian interests, respectively. Only in Laos have the Thais remained the dominant foreign investors—in the face of considerable reaction from hardline nationalist elements in the leadership.

Clearly, common political views coupled with anti-Thai feelings are creating a new mini-bloc in Southeast Asia. It may not be able to achieve much but, as a Vientiane-based diplomat put it: "It's important in a psychological sense. Together, they feel stronger."

Whether Thailand will rethink its political and economic relationships with its neighbours as a result remains to be seen. But alarm bells are ringing in Bangkok. ■